








Lesson Plan

Lesson 29 – Earned Income Credit (EIC)

Time Required: 1-2 hours

Introduction	Objectives	Topics
<p>This lesson covers the Earned Income Credit (EIC), which is based on the taxpayer's filing status, number of qualifying children, earned income, and adjusted gross income.</p> <p>Volunteers use the intake and interview sheet, the interview tips in the Volunteer Resource Guide, and the EIC worksheets to compute the EIC.</p>	<p>Determine if a taxpayer is eligible for the EIC.</p> <p>Calculate the EIC.</p>	<p>    </p> <p>What is the EIC?</p> <p>Qualifying for the EIC</p> <p>Rules for taxpayers with qualifying children</p> <p>Rules for taxpayers without qualifying children</p> <p>Calculating the tax credit</p>

Key Terms

ATIN: Adoption Taxpayer Identification Number.

Earned Income: Any income received for work, such as wages or business income.

Earned Income Credit (EIC): A credit that can be paid to low-income workers, even if no income tax was withheld from the worker's pay. Taxpayers must file a tax return to receive the credit.

ITIN: Individual Taxpayer Identification Number.

Unearned Income: Income other than pay for work performed. Interest and dividends from savings or investments are common types of unearned income.

Refundable Credit: Occurs when the amount of a credit is greater than the tax owed. Even if taxpayers' tax liability is zero, they can receive a "refund" of excess credit.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxWise on EIC.	TaxWise® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • 2011 TaxWise IRS training • TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu • Click the Payments button
Provide details and engage the students	<p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples and sample interviews.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p>	Internet: Link & Learn Taxes (L<) Earned Income Credit (EIC)

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>Ask students to define “refundable credit.”</p> <p>Emphasize that the EIC is a valuable credit for low-income families.</p> <p>Review list of references.</p> <p>State the presentation time.</p>	<p>Visuals:</p> <p>Form 1040, Page 2, lines 64a & 64b</p> <p>Form 13614-C</p> <p>Pub 4012 (Tab H, Tab 1, Tab 2, and Tab 6)</p>

What is the EIC?

Ask students to define the EIC, and explain its purpose.

Ask students to explain earned income vs. unearned income.

Remind students that the Advance EIC was repealed and is no longer available.

Point out that in 2011, the maximum earned income credit for families with three or more children is \$5,751.

Refer students to the Aspen Institute’s EITC Platform website, tools and resources for volunteer tax preparers.

Visuals:

Pub 4012 (Tab H-1) [Earned Income Table](#)

Pub 4012 (Tab H-2) [Summary of EIC Eligibility Requirements](#)

Pub 4012 (Tab 6-5), [Schedule EIC](#)

[Pub 596](#)

Internet:

Audio Podcast: [Earned Income Tax Credit](#)

YouTube video: [Tax Tips: Earned Income Tax Credit 2011](#)

[EITC Platform](#)

Qualifying for the EIC

State the three general sets of rules for claiming the EIC:

- Rules for everyone
- Rules for taxpayers with a qualifying child
- Rules for taxpayers who do not have a qualifying child

Review Pub 4012 (Tab H-2) Summary of EIC Eligibility Requirements; focus on Part A and Part D.

Review Pub 4012 (Tab H-1) Common EIC filing errors.

Point out that ITINs and ATINs cannot be used when claiming the EIC.

Ask students to list types of earned income that qualifies for the EIC. Confirm answers with Pub 4012 (Tab H-1) Earned Income Table.

Show 1099-R Pension and Annuity Income, Box 7; point out that the distribution code 3 indicates disability income.

Visuals:

[Form 13614-C](#), Section A, Part III

Pub 4012 (Tab H-2) [Summary of EIC Eligibility Requirements](#)

Pub 4012 (Tab H-1) [Common EIC Filing Errors](#)

Pub 4012 (Tab H-1) [Earned Income Table](#)

Pub 4012 (Tab H-2) [Disallowance of the Earned Income Credit](#)

Pub 4012 (Tab 2-17) [1099-R Pension and Annuity Income](#)

[L< Earned Income Credit \(EIC\)](#), case study and topic activity

Internet:

FAQs: [Earned Income Tax Credit](#)

[EITC Home Page](#)

	<p>Explain that nontaxable combat pay may be included as earned income for the EIC purposes, and reported on Form 1040, line 64b.</p> <p>Discuss disallowance of EIC.</p> <p>Read and discuss the examples, case study, and topic activity from L&LT Earned Income Credit (EIC) starting on slide 18.</p>	<p>EITC Income Limits, Maximum Credit Amounts and Tax Law Updates</p> <p>Tax Map: Earned Income Credit</p> <p>Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it</p> <p>YouTube video: Tax Tips: W-2 Missing?</p> <p>Audio Podcast: Missing Form W-2 or 1099-R?</p>
Rules for taxpayers with qualifying children	<p>Review Pub 4012 (Tab H-2), Summary of EIC Eligibility Requirements; focus on Part B.</p> <p>Review the interview tips in Pub 4012 (Tab H-4) EIC with a Qualifying Child.</p> <p>Review the case study for Robyn Smith on slide 25 using the interview tips from Pub 4012 (Tab H-4).</p> <p>Read and discuss the case studies and topic activity from L&LT Earned Income Credit (EIC) for this topic, starting on slide 31.</p> <p>Review the tip in Pub 4012 (Tab H-5) Qualifying Child of More than One Person.</p> <p>Demo the Main Information Screen; point out that children should be listed from youngest to oldest, and check the EIC box.</p>	<p>Visual:</p> <p>Pub 4012 (Tab H-2) Summary of EIC Eligibility Requirements</p> <p>Pub 4012 (Tab H-4) EIC with a Qualifying Child</p> <p>Pub 4012 (Tab H-5) Qualifying Child of More than One Person</p> <p>L&LT Earned Income Credit (EIC), case study and topic activity</p> <p>Internet:</p> <p>FAQ: Qualifying Child Rules</p> <p>TaxWise Demo:</p> <p>Main Information Screen</p>

<p>Rules for taxpayers without qualifying children</p>	<p>Review Pub 4012 (Tab H-2) Summary of EIC Eligibility Requirements; focus on Part C.</p> <p>Review the interview tips in Pub 4012 (Tab H-5) EIC without a Qualifying Child.</p> <p>Remind students to review Part I, question 13 on the intake and interview sheet: Can anyone claim you or your spouse on their tax return?</p> <p>Clarify the age requirements for joint filers.</p>	<p>Visuals:</p> <p>Pub 4012 (Tab H-2) Summary of EIC Eligibility Requirements</p> <p>Pub 4012 (Tab H-5) EIC without a Qualifying Child</p> <p>Form 13614-C, Section A, Part I</p>
<p>Calculating the tax credit</p>	<p>Remind students to review Part V, question 4 on the intake and interview sheet: Did you... have EIC disallowed in a prior year?</p> <p>Ask students to find the EIC table in Publication 596 or in the Form 1040 Instructions.</p> <p>Give students examples and ask them to look up the correct amount on the EIC table.</p> <p>Explain how and when to use:</p> <ul style="list-style-type: none"> • Schedule EIC • Schedule EIC Worksheet <p>Read and discuss the case studies and topic activity in L&LT Earned Income Credit (EIC) for this topic, starting on slide 40.</p>	<p>Visuals:</p> <p>Form 13614-C, Section A, Part V</p> <p>Pub 4012 (Tab 1-8) Main Information Screen</p> <p>Pub 4012 (Tab H-2) Disallowance of the Earned Income Credit</p> <p>Form 1040, lines 64a & 64b</p> <p>Form 1040 Instructions, EIC Table</p> <p>Pub 4012 (Tab 6-5) Schedule EIC</p> <p>Pub 4012 (Tab 6-6) Schedule EIC Worksheet</p> <p>Pub 596</p> <p>Internet:</p> <p>Tax Topic: Earned Income Credit</p> <p>TaxWise Demo:</p> <p>Link to Form 1040, Pg 2, line 64a</p> <p>Link to Schedule EIC</p> <p>Link to Schedule EIC Worksheet</p>

Summary	Review the lesson summary with the class.	Visuals: L&LT Earned Income Credit (EIC), Summary L< Earned Income Credit (EIC): Click Assessments icon to review Summary and Exercises
Vanessa Scenario	Direct students to Appendix A, Vanessa practice for Earned Income Credit (EIC). After they complete the exercise, ask students if they have any questions.	Visuals: Appendix A Practice for Earned Income Credit (EIC)
Practice	Select the practice exercise on EIC or continue from previous practice. Ask students to select the problem based on their certification course of study. Verify they have correctly entered the EIC.	Visuals: Publication 4491-W Basic Comprehensive Problem and Practice Exercises Publication 4491-W Intermediate Comprehensive Problem and Practice Exercises Publication 4491-W Advanced Comprehensive Problem and Practice Exercises Publication 4491-W Military and International Comprehensive Problem and Practice Exercises

References

L<	Earned Income Credit (EIC)
Form 1040	Form 1040 , Lines 64a and 64b Form 1040 Instructions , Lines 64a and 64b Form 1040 Instructions, EIC Table
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet
Pub 4012	Pub 4012, Volunteer Resource Guide, Tab H, Tab 1, Tab 2, and Tab 6 Tab H-1, Earned Income Table Tab H-1, Common EIC Filing Errors

	Tab H-2, Summary of EIC Eligibility Requirements Tab H-2, Disallowance of the Earned Income Credit Tab H-3, EIC General Eligibility Rules Tab H-4, EIC with a Qualifying Child Tab H-5, EIC without a Qualifying Child Tab H-5, Qualifying Child of More than One Person Tab 1-8, Main Information Screen Tab 2-17, 1099-R Pension and Annuity Income Tab 6-5, Schedule EIC Tab 6-6, Schedule EIC Worksheet
Pub 17	Pub 17 , Chapter 36, Earned Income Credit (EIC)
Appendix A	Vanessa Scenario Appendix A
Pub 4491-W	Pub 4491-W : International comprehensive problem, practice exercise(s) or supplements for EIC
Optional	
Pub 596	Pub 596, Earned Income Credit (EIC)
Schedule EIC	Schedule EIC

Recommended Classroom Activities



Tax Facts



Assessments



Media: Videos
& Audio



TaxWise
Tutorial



Job Aids



Practice
Lab



Tax Facts: Link & Learn Taxes Earned Income Credit (EIC)

Click Tax Facts for a new way to access Link & Learn Taxes Earned Income Credit (EIC).



Assessments – Summary and Exercises

Click Assessments for a new way to access the Summary and Exercises in Link & Learn Taxes Earned Income Credit (EIC).



Media: Video & Audio for Lesson

- Audio Podcast on EIC
http://www.irs.gov/pub/newsroom/marketing/internet/eitc_podcast_2011_final.mp3
- Audio Podcast - Missing Form W-2 or 1099-R?
http://www.irs.gov/pub/newsroom/marketing/internet/w-2_english_2009_final.mp3
- YouTube video: Tax Tips: Earned Income Tax Credit 2011
http://www.youtube.com/user/irsvideos#p/u/48/NWpcVVWYa_Y
- YouTube video - Tax Tips: W-2 Missing?
[Tax Tips: W-2 Missing?](#)



TaxWise Tips and Resources for Lesson

TaxWise screens	Main Information Sheet
	1099-R Pension and Annuity Income
	Form 1040
	Schedule EIC
	Schedule EIC Worksheet
Practice Lab Tutorial	From the Practice Lab, select:
	1. 2011 TaxWise IRS training
	2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu
	3. Click the Payments button
TaxWise TV	http://www.taxwisetv.com/presentation.asp



Job Aids

ITA and FAQs for Lesson

Tax Trails	Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it http://www.irs.gov/individuals/article/0,,id=130102,00.html
Tax Map	Earned Income Credit http://taxmap.ntis.gov/taxmap/ts0/earnedincomecredit_o_3f592a49.htm
FAQs	Earned Income Tax Credit http://www.irs.gov/faqs/content/0,,id=199902,00.html Qualifying Child Rules http://www.irs.gov/faqs/content/0,,id=199868,00.html Other EITC Issues http://www.irs.gov/faqs/content/0,,id=199871,00.html
Tax Topics	Earned Income Credit http://www.irs.gov/taxtopics/tc601.html
Other	EITC Home Page http://www.irs.gov/eitc EITC Income Limits, Maximum Credit Amounts and Tax Law Updates http://www.irs.gov/individuals/article/0,,id=150513,00.html Special EITC Rules http://www.irs.gov/individuals/article/0,,id=150708,00.html EITC Platform: Resources and Tools from the Aspen Institute http://www.eitcplatform.org/index.asp
References	References for L< Earned Income Credit (EIC) http://www.irs.gov/app/vita/content/30/references.html



Practice Lab

Practice Lab	http://www.voltaxprep.com/
--------------	---